

PART I: CAPITAL ASSET PLAN AND BUSINESS CASE (All Assets)

Agency U.S. Department of Education
 Bureau Not Applicable
 Account Title Student Aid Administration; Federal Direct Student Loans
 Account Identification Code 91-0243
 Program Activity Student Loans
 Name of Project Common Services for Borrowers - to include DMCS Reengineering and DLCS Reengineering

Unique Project Identifier:

(IT only)(See section [53](#))

Project Initiation Date June 01, 2002

Project Planned Completion September 30, 2007

Date

This Project is: Initial Concept ☐ Planning ☒ Full Acquisition ☐ Steady State ☐

Mixed Life Cycle ☐

Project/useful segment is funded: Incrementally ☐ Fully ☒

Was this project approved by OMB for previous Year Budget Cycle? Yes ☐ No ☒

Did the Executive/Investment Review Committee approve funding for this project this year? Yes ☒ No ☐

Did the CFO review the cost goal? Yes ☒ No ☐

Did the Procurement Executive review the acquisition strategy? Yes ☒ No ☐

Is this investment included in your agency's annual performance plan or multiple agency annual performance plans? Yes ☒ No ☐

Does the project support homeland security goals and objectives, i.e., 1) improve border and transportation security, 2) combat bio-terrorism, 3) enhance first responder programs; 4) improve information sharing to decrease response times for actions and improve the quality of decision making? Yes ☐ No ☒

Is this project information technology? (See section [300.4](#) for definition) Yes ☒ No ☐

For information technology projects only:

a. Is this Project a Financial Management System? (see section [53.3](#) for a definition) Yes ☐ No ☒

If so, does this project address a FFMIA compliance area? Yes ☐ No ☐

If yes, which compliance area?

b. Does this project implement electronic transactions or record keeping that is covered by the Government Paperwork Elimination Act (GPEA)? Yes ☒ No ☐

* The existing legacy systems already provide some electronic options, however, this effort will provide additional electronic transactions. Please refer to the GPEA response in Part II.C.

If so, is it included in your GPEA plan (and does not yet provide an electronic option)? Yes ☒ No ☐

Does the project already provide an electronic option?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
c. Was a privacy impact assessment performed for this project?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
d. Was this project reviewed as part of the FY 2002 Government Information Security Reform Act review process?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
d.1 If yes, were any weaknesses found?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
d.2. Have the weaknesses been incorporated into the agency's corrective action plans?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
e. Has this project been identified as a national critical operation or asset by a Project Matrix review or other agency determination?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
e.1 If no, is this an agency mission critical or essential service, system, operation, or asset (such as those documented in the agency's COOP Plan), other than those identified above as national critical infrastructures?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

SUMMARY OF SPENDING FOR PROJECT STAGES

(In Millions)

(Estimates for BY+1 and beyond are for planning purposes only
and do not represent budget decisions)

	PY-1 and Earlier	PY 2002	CY 2003	BY 2004	BY+1 2005	BY+2 2006	BY+3 2007	BY+4& Beyond	Total
Planning:									
Budgetary Resources		6.701							6.701
Outlays		3.425	2.210	0.752	0.313				6.701
Acquisition:									
Budgetary Resources			11.466	8.485	15.507	15.530	5.288	5.502	61.776
Outlays			5.727	8.174	11.826	14.489	10.275	11.287	61.776
Total, sum of stages:									
Budgetary Resources		6.701	11.466	8.485	15.507	15.530	5.288	5.502	68.477
Outlays		3.425	7.937	8.926	12.139	14.489	10.275	11.287	68.477
Maintenance:									
Budgetary Resources									
Outlays									
Total, All Stages:									
Budgetary Resources		6.701	11.466	8.485	15.507	15.530	5.288	5.502	68.477
Outlays		3.425	7.937	8.926	12.139	14.489	10.275	11.287	68.477

* The BY+4& Beyond costs are estimates only and in no way reflect actual projections for this initiative.

I. A. PROJECT DESCRIPTION

1. Provide a brief description of this project and its status through your capital planning and investment control (CPIC) or capital programming "control" review for the current cycle.

Currently, Federal Student Aid (FSA) has three separate systems to manage its loan servicing functions. These are Direct Loan Servicing System (DLSS), Debt Management and Collections System and Direct Loan Consolidation System.

FSA is required to provide loan consolidation services to borrowers, a servicing function within Student Loans, which allows borrowers to consolidate multiple Direct/FFEL Loans into one, single Direct Loan. The current consolidation process takes 30-45 days per loan, and is labor intensive. Reengineering the loan consolidation process will simplify the existing processes within Direct Loans, reduce the time it takes to consolidate a loan, replatform from the current mainframe solution, reduce operations costs by making the process more efficient and integrate with the other common servicing and collection processes. More specifically, the loan consolidation reengineering effort will allow for a more efficient consolidation of loans, to include less manual processing, coordinated loan counseling, delinquency management and default management as a result of reengineering/Modernization and integration of the consolidation system with the other Common Services functions. The CSB initiative will look at tools, techniques and processes that can support a comprehensive default prevention program.

DLSS provides repayment services (billing, payment posting, entitlements, 1098E reporting, etc.) to 5.8 million active borrowers with 3.8 million in various stages of repayment. The DLSS is a COTS-based student loan servicing system with extensive modifications to provide program-specific functionality for Direct Loans (e.g. Income Contingent Repayment (ICR) payment plan, repayment incentives, borrower communications, etc.). The system includes a computing platform, an integrated web site which provides extensive customer self-service opportunities, an Interactive Voice Response Unit (IVRU) and virtual call center supporting over 750 customer services representatives and an additional 250 processing staff, an integrated imaging/workflow processing system and related communications and network components. The DLSS receives loan disbursement data from DLCS and Common Origination and Disbursement (COD). The DLSS provides research data to the National Student Loan Data System (NSLDS), financial information to FSA's Financial Management System (FMS), defaulted borrower information to FSA's Debt Collection Service (DMCS), and management information to the Credit Management Data Mart (CMDM). DLSS has been modernized through e-Servicing, FARS Retirement, and CDS Simplification. Modernization will continue through the Customer Relationship Management for FSA (CRM4FSA) and Common Services For Borrowers initiatives led by the Modernization Partner. Anticipated benefits to Loan Servicing from Common Services for Borrowers include (but are not limited to): Direct Loan Repayment Portal; Combined Billing for all borrowers; Seamless DL Correspondence; Automation of DCS Recall Process; and Data Archiving.

DMCS is a major component of the Federal Family Education Loan (FFEL) system developed approximately 20 years ago. This mainframe based FFEL system is co-owned by the Financial Partners Channel and the Students Channel. Collections, a Students Channel business operation, has the ultimate operational ownership over DMCS. Functionally, DMCS provides for the processing of outstanding financial aid debt from the time a debt is assigned to the Department of Education until it is paid-in-full or otherwise satisfied. Under the PBO statute, Collections has transformed itself from an internal collections department to a management organization managing 13 private collection agencies. FSA outsourced approximately 97% of its defaulted loans to these private agencies for collections in FY2002. Changing business requirements demand that the FFEL legacy system be retired or replaced with newer and better technologies. The imminent expiration of the current Raytheon contract has provided an opportunity to analyze the current situation and seek potential technological solutions to replace or retire all components of the FFEL system.

The current DMCS system has been patched and re-patched with years of changes in business requirements. The legacy system has become difficult to maintain, and does not provide ad-hoc management reporting tools. More importantly, the rigidity of the system prevents and impedes the implementation of the management strategies and best practices. The need to update and replace the current system has become a high priority at Collections. In its quest to save money, boost efficiency and ensure an increase in recovery amount, Collections management has been continuously searching for new and creative management strategies to help reach its overarching business goals. The management in Collections is prepared to embrace new technologies enabling implementation of various collection strategies. The objective is to conduct a final COTS package selection and replace the current DMCS with a robust, modern and flexible technology solution in tandem with the retirement of the overall FFEL system. The selected COTS package must meet the majority of Collections requirements, and support the CSB vision.

The Common Services for Borrowers initiative will reengineer these three areas (DLSS, DMCS, DLCS) in order to achieve one, seamless, integrated business solution. The result will drive operations efficiency, reduce unit cost, and improve customer satisfaction through integrated business processes.

FSA's Students Channel envisions that Common Services for Borrowers will improve the management of student aid obligations through efficient use of timely and accurate information, common functions, and shared data. This vision supports FSA's organizational objectives to lower unit costs, increase employee satisfaction, and increase customer satisfaction.

The project will streamline, consolidate, and modernize a number of common functions within the Office of Student Credit Management to deliver significant improvements in managing student aid obligations. Figure 1 illustrates this concept. The challenge for this project will be to confirm these areas of commonality, identify opportunities for improvement, and implement the changes necessary to make this vision a reality.

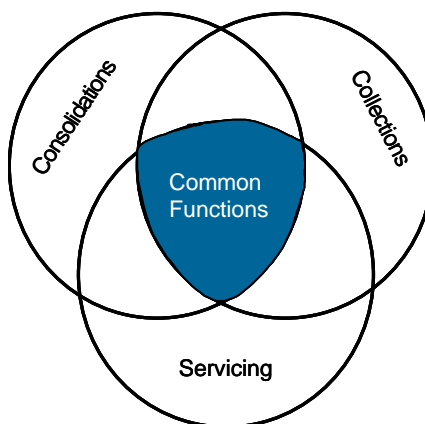


Figure 1 – Common Business Functions

This project focuses on implementing the common solution that will integrate FSA's loan servicing functions, to include DMCS, DLCS and DLSS Reengineering. The Common Services for Borrowers initiative will review existing business processes and technology with the goal of integrating common functions. Analysis will be conducted to identify where functions can be improved to better utilize best-in-business practices including analysis of a common servicing model. Solutions will be defined to improve operations.

In order to achieve this vision, the program will implement a phased approach, with management checkpoints following each phase. The phased approach has been adopted because of the scope of change, the complexity of the systems and processes involved, and the need to integrate with other Modernization initiatives within and across FSA's Channels.

The initial scope of work will focus on completing the Visioning and Planning for Common Services for Borrowers and develop a Business Case and Conceptual Design for Credit Management within the Students Channel. This Conceptual Design will include high-level business processes and a high-level Business Architecture for Common Services. It will not include detailed requirements, software selection, or development of the solution. These activities will take place in later phases. This project will take into account the work going on in other areas (i.e., consolidation, eServicing, debt management and collections, and CRM4FSA) and will build upon work completed previously under the Modernization Partner Program. This initial effort will review existing servicing processes, applications, and operations to assess the feasibility of providing an integrated services environment for Credit Management and the Students Channel that will deliver measurable improvements. Analyses will be conducted to identify where operations can be improved to better utilize industry best practices including analysis of a Common Services model.

The following phases are anticipated to follow the initial effort:

- CSB 1.1 Collections (DMCS Reengineering)
- CSB 1.2 Consolidation (DLCS Reengineering)
- CSB 1.3 Loan Servicing
- CSB 1.4 Common Integration

The Common Services for Borrowers system will enable FSA customers to have a seamless business experience when servicing their student loans.

The solution will support a large number of business processes within the Loan Servicing, Collections, and Consolidations areas. Each of these business areas impact a large number of customers and support very important parts of FSA's business.

For example, the Loan Consolidation program consolidates over 370,000 loans per year. FSA currently runs Direct Loan Servicing operations for an \$80 billion portfolio serving approximately 6.5 million borrowers. Collections operations are conducted on a \$13 billion defaulted loan portfolio that is 70% FFEL Loans and 30% Direct Loans. This operation includes the management of private collection agencies as well as other functions. A small percentage of the cured default portfolio is sent back to Direct Loans for servicing via the consolidations process.

Business functions for loan servicing, consolidations, and collections are delivered through stove-piped organizations and systems. This initiative impact will simplify the existing business processes within Direct Loans. Combining functions would provide both lower unit costs and better customer service. For example, billing and payment functions are duplicated in the DLSS and DMCS systems. The goal is to remove duplicative functions and systems.

If this effort is not funded, the following are the consequences FSA faces:

- Unit cost reduction targets will not be met
- Customer satisfaction goals will not be achieved
- Employee satisfaction goals will not be achieved
- A fully integrated business solution within Common Services for Borrowers will not be provided
- Operations efficiency will not be improved
- Duplication of processes will not be reduced
- Continue to support contract extensions (legacy operations) beyond contract expiration dates
- Removal of data redundancies and data integration efforts will not be met

If this project is not funded, FSA will have to renew and renegotiate the DMCS legacy contract. This contract is not consistent with FSA's strategic plan. The current sub-contractor has not been chosen to participate in the operating partners pool. If the contract is renewed with the current sub-contractor, costs will most likely increase by \$4m from \$18m to \$22m due to the sub-contractor having to support both the DMCS legacy

system and their new collections solution. The current legacy system has been developed as a stovepipe solution and will not easily integrate with newer technology.

This past spring Common Services for Borrowers (CSB), Direct Loan Consolidation System (DLCS) Reengineering and Debt Management and Collections System (DMCS) Reengineering were part of the Department's annual combined Select and Control phase. During this phase, Department management assessed the initiative's overall health as well as performance against planned cost and schedule. The results of the Control phase review were combined with a thorough review of the initiative's value and contribution to the Department. Using the results of the health and value assessments, the Department's Planning and Investment Review Working Group prioritized Common Services for Borrowers, Direct Loan Consolidation Reengineering and Debt Management and Collections Reengineering against the other IT initiatives in the Department's portfolio. Based on this prioritization, the Department's Investment Review Board made selection and control decisions regarding the composition of the Department's FY2003 & 2004 portfolio. The initiative will undergo the next Control phase review this fall. At that time, the Department will assess performance through fiscal year 2002.

2. What assumptions are made about this project and why?

- At this time it is assumed that a Share-In-Savings contract will be possible for this project, however during the early phase of the project due diligence and validation activities will need to be executed by an integrated product team to validate this assumption. In the event that a well-researched and jointly developed business case shows that a share in savings is not a viable option for this project, there will be other contracting alternatives recommended by the team. These options would be developed during the requirements development phase of the project. Further, to allow the maximum amount of flexibility in implementing the right solution for the channel, estimates will be developed delineating the cost associated with various development lifecycle phases for each option.
- Common Services for Borrowers project will deliver an integrated business solution.
- The current business rules governing the loan balance certification processes can change.
- The CRM4FSA initiative will provide the customer interaction front-end for Common Services for Borrowers. The CRM4FSA solution must be up and running in order to support the CSB back-end, the processing and transaction layer. CRM4FSA will be successfully implemented at the DCSIS (call center) during the third phase of the CRM4FSA project timeline (by May 2003). DMCS reengineering must be implemented before the FFEL system is retired. The contract for FFEL (DMCS) system development, operations and maintenance will expire in June 2003.
- Information provided to external entities (Guaranty Agencies, collection agencies, IRS, government agencies, schools and borrowers) from Collections needs to be provided by reengineered system and reengineered system needs to be able to accept information supplied by external entities to Collections.

3. Provide any other supporting information derived from research, interviews, and other documentation. Preliminary studies have identified a number of potential quick win opportunities that fall within the area of common services. This information can be provided upon request.

I.B. JUSTIFICATION (ALL ASSETS)

1. How does this investment support your agency's mission and strategic goals and objectives?

From the Department's FY2002-2007 Strategic Plan:

Goal 6: Establish Management Excellence

- Objective 6.1 Develop and maintain financial integrity within the Department and its programs and management and internal controls.
- Objective 6.3 Manage information technology resources, using e-gov, to improve service to our customers and partners.
- Objective 6.4 Continue to modernize the Student Financial Assistance system and reduce the high-risk status of Title IV programs.

The current loan servicing systems manage loan level data pertaining to servicing, collection and consolidation. It is anticipated that the modernized CSB solution will enable far greater clarity of student loan information through data systems and integration, thereby improving accomplishments of each objective.

2. How does it support the strategic goals from the President's Management Agenda?

Goal 3: Improved Financial Performance

Objectives:

- Make accurate payments to recipients
- Improve the timeliness and reliability of financial data
- Receive a "clean audit" of the agency's financial report

Goal 4: Expanded Electronic Government

Objectives:

- Reduce the reporting burden on businesses
- Reduce the expense and difficulty of doing business with the government
- Increase access for persons with disabilities to agency websites and e-Government applications
- Provide high quality customer service regardless of the access channel
- Use the internet to enable citizens to penetrate the Federal bureaucracy to access information and transact business
- Conduct transactions with the public along secure web-enabled systems that use portals to link common applications and protect privacy
- Automate internal processes to reduce costs

Expanded Electronic Government is a primary factor driving CSB's support of the PMA. To enable the e-Government vision, the President's e-Government Taskforce identified initiatives in four categories of electronic service delivery: Service to Individuals; Service to Businesses; Intergovernmental Affairs; and Internal Efficiency and Effectiveness. CSB contributes to the fulfillment of internal efficiency and effectiveness to improve the performance and reduce costs of Federal government administration by using best practices in areas such as supply chain management, financial management, and knowledge management.

Program Initiative 9: Elimination of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management

Objectives:

- The student aid programs will be removed from GAO's "high risk" list by 2002, reflecting financial management and program improvements that significantly reduce their vulnerability to waste, fraud, abuse, and mismanagement.
- ED will receive an unqualified opinion on its financial statements, indicating a robust and reliable financial management system that will enable ED to produce accurate financial and management information. This data can be used to improve daily oversight of operations, better measure program performance, and inform policy decisions.

3. Are there any alternative sources in the public or private sectors that could perform this function?

No; the William D. Ford Federal Direct Loan Program was established by the Student Reform Act of 1993, which was enacted on August 10, 1993, and directs the Department of Education to operate this program.

The three business areas impacted by Common Services for Borrowers are currently utilizing a number of private sector sources to manage aspects of the Direct Loan business. For example, the Loan Consolidation, Loan Servicing, and Loan Collection functions are operated by private companies under contract with the Department. Common Services for Borrowers will seek to identify common business processes across these three areas in order to create a more integrated, streamlined and cost effective business.

4. If so, explain why your agency did not select one of these alternatives.
N/A
5. Who are the customers for this project?
 - Borrowers: Will be able to realize improved customer satisfaction with the integrated business processes and consolidate loans faster.
 - Schools, Guaranty Agencies, Banks: Improved financial processes will benefit their accounting administration and reduce data errors. A single point of access will simplify their processes to obtain financial and borrower data.
 - US Department of Treasury
 - Defaulted student borrowers
6. Who are the stakeholders of this project?
 - FSA – through realizing the unit cost goals of the organization.
 - Employees – An increase in employee satisfaction through providing an opportunity to learn new and up-to-date skills.
 - The Secretary of the Department of Education
 - US taxpayers
 - Congress
7. If this is a multi-agency initiative, identify the agencies and organizations affected by this initiative.
Not applicable.
8. How will this investment reduce costs or improve efficiencies?
Benefits in completing this initiative are:
 - Reduction in unit cost at both the FSA and the Federal Government levels, through the more efficient use of timely and accurate information, common functions, shared data and elimination of manually intensive processes. Overall IT costs will be reduced from rationalized applications and right-sized platform. Anticipated savings are projected to be \$120M.
 - An increase in efficiency and customer satisfaction through new services and improved, streamlined processes.
 - An increase in employee satisfaction through empowering management with flexible reporting, decision-making and predictive modeling tools, and also by providing user-friendly systems, automated process environments and updated skill sets.
 - Generating cost savings through reduced legacy maintenance costs.
 - Providing management with decision support tools and capabilities to:
 - Conduct portfolio management.
 - Translate customer information into effective collection strategies.
 - Focus on debt collection outsourcing and collection agency performance management.
 - Improving the financial management for both FFEL and Direct Loan programs.
 - Potentially to focus on rehabilitation to a group of pre-defined borrowers.
 - More frequent targeted transfer of accounts to collection agencies and credit bureaus.
 - Increased funds back to the Federal government and eventually benefit the taxpayers and future borrowers.

As stated above, the vision of the Common Services for Borrowers project is to improve the management of student aid obligations through efficient use of timely and accurate information, common functions, and shared data. This vision supports FSA's organizational objectives to lower unit costs, increase employee satisfaction, and increase customer satisfaction.

9. List all other assets that interface with this asset: DLSS, DMCS, DLCS, COD, FMS, NSLDS, CMDM, CPS
Have these assets been reengineered as part of this project? No, the Common Services for Borrowers initiative will reengineer the loan servicing areas (DLSS, DMCS, DLCS) areas as part of this project in order

to achieve one, seamless, integrated business solution. The result will drive operations efficiency, reduce unit cost, and improve customer satisfaction through integrated business processes. The other assets have or are undergoing transformation, but not as part of this project.

Another goal of the reengineering effort is to remove manual intensive interaction between customer service representatives and holders of existing loans. Reengineering will provide an integrated solution for business transaction processes. In addition, it will integrate with the CRM4FSA solution, providing enterprise-wide consolidation customer interaction across the entire organization.

I.C. PERFORMANCE GOALS AND MEASURES (ALL ASSETS)

The Common Services for Borrowers initiative is currently in the planning phases, thus performance goals and measures have yet to be defined. The current FY03 effort includes the completion of the planning and vision phase; performance goals and measures will be targeted at this time.

Fiscal Year	Strategic Goal(s) Supported	Existing Baseline	Planned Performance Improvement Goal	Actual Performance Improvement Results	Planned Performance Metric	Actual Performance Metric Results
2002	N/A	N/A	N/A	N/A	N/A	N/A
2003	Goal 6: Establish Management Excellence; Objectives 6.1, 6.3, 6.4	TBD	Increase in collection rate of defaulted loans _____ Increase in customer satisfaction (loan borrowing and payment experiences) _____ 5% increase in collector/customer contacts _____ Reduced customer support-reflected in call volume.	N/A	System availability _____ System response time _____ Loan consolidation processing time _____ Debt collection processing time _____ Loan refund processing time	N/A
2004	Goal 6: Establish Management Excellence; Objectives 6.1, 6.3, 6.4	TBD	Same as above-Plan to improve targets over time	N/A	Same as above-Plan to improve targets over time	N/A
2005	Goal 6: Establish	TBD	Same as above-Plan to improve	N/A	Same as above-Plan to	N/A

Fiscal Year	Strategic Goal(s) Supported	Existing Baseline	Planned Performance Improvement Goal	Actual Performance Improvement Results	Planned Performance Metric	Actual Performance Metric Results
	Management Excellence; Objectives 6.1, 6.3, 6.4		targets over time		improve targets over time	
2006	Goal 6: Establish Management Excellence; Objectives 6.1, 6.3, 6.4	TBD	Same as above-Plan to improve targets over time	N/A	Same as above-Plan to improve targets over time	N/A
2007	Goal 6: Establish Management Excellence; Objectives 6.1, 6.3, 6.4	TBD	Same as above-Plan to improve targets over time	N/A	Same as above-Plan to improve targets over time	N/A

I.D. PROGRAM MANAGEMENT [ALL ASSETS]

1. Is there a program manager assigned to the project? If so, what is his/her name? Yes ☒ No ☐
 Dan Hayward, Denise Leifeste, Gary Hopkins, Sybil Phillips
2. Is there a contracting officer assigned to the project? If so, what is his/her name? Yes ☐ No ☒
 Janet Scott

3. Is there an Integrated Project Team? Yes ☐ No ☐

3.A. If so, list the skill set represented.

The IPT is in its beginning stages. Skill sets currently include Loan Servicing, Loan Consolidation, Collections, Project Management, and Business Process Reengineering. Future skill sets will include contracts and legal.

4. Is there a sponsor/owner? Yes ☒ No ☐
 Jennifer Douglas

I.E. Alternatives Analysis [All Assets]

1. Describe the alternative solutions you considered for accomplishing the agency strategic goals that this project was expected to address. Describe the results of the feasibility/performance/benefits analysis. Provide comparisons of the returns (financial and other) for each alternative.

Alternative	Description
Alternative 1 – Modernized Integrated	The CSB initiative will reengineer the three loan servicing areas (DLSS, DMCS and DLCS) in order to achieve one, seamless, integrated business

Alternative	Description
Solution (CSB)	solution. The result will drive operations efficiency, reduce unit cost, and improve customer satisfaction through integrated business processes. Existing business processes and technology will be reviewed with the goal of integrating common functions. Analysis will be conducted to identify where functions can be improved to better utilize best-in-business practices including analysis of a common servicing model. Solutions will be defined to improve operations.
Alternative 2 – Maintain DLSS, DMCS and DLCS legacy systems without undertaking reengineering effort	Continue to maintain DLSS, DMCS and DLCS legacy systems, to include minimal enhancements as required by legislative, regulatory and program requirements as part of the standard annual maintenance cycle of the Direct Loan program. Specific enhancements as a result of new laws, rules and program features are unknown at this time.
Alternative 3 – Enhance each servicing component individually	Within the annual operations cycle for each individual legacy system (DLSS, DMCS, and DLCS), undertake analysis of and develop enhancements to each existing legacy system independent of any coordinated solution. This alternative would focus on incremental process improvements without emphasizing the full integration that would be achieved through wholesale reengineering. Incremental changes would be made over a 5-year duration, FY2002-2007.

The modernized integrated solution (CSB) was selected as it meets the Department's goals for unit cost reductions, increased customer satisfaction and increased employee satisfaction. Additionally, it focuses on reengineering all loan servicing functions together-DLSS, DLCS and DMCS. This approach is based on the goal to develop an integrated solution and can only be successfully accomplished by reengineering the components in a coordinated fashion. By taking an integrated approach, the design and development of a Common Services for Borrowers solution will provide the expected benefits. Coordinated development ensures all components and functions of servicing are analyzed and reengineered in tandem. The same benefits would not be achieved if each servicing component were enhanced separately. Analysis and development would be limited to a single component, analyzed in a vacuum and enhanced out of context with an integrated solution. Additionally, development time would be longer and costs would be greater than FSA's ability to bear. The Modernized integrated solution accelerates the pace of Modernization, allows for greater economies of scale and provides FSA with one integrated solution instead of three stove-piped reengineered solutions.

- Summarize the results of your life-cycle cost analysis performed for each investment and the underlying assumptions.

****all numbers in thousands***

Cost Elements	Alternative 1	Alternative 2	Alternative 3
Contract Services	\$6,265	\$0	DLSS-\$50,000 DLCS-\$30,000 DMCS-\$35,000
Share-in-Savings Projected % of Share Payments	\$53,735	\$0	\$0

Cost Elements	Alternative 1	Alternative 2	Alternative 3
Legacy Operations	\$0	DLSS-\$90,918.3 DLCS-\$20,608.1 DMCS-\$18,183.7	DLSS-\$90,918.3 DLCS-\$20,608.1 DMCS-\$18,183.7
CSB Operations Costs Post Reengineering/Modernization Efforts	\$ 115,163.2	\$0	\$0
Subtotal	\$175,163.2	DLSS-\$90,918.3 DLCS-\$20,608.1 DMCS-\$18,183.7	DLSS-\$140,918.3 DLCS-\$50,608.1 DMCS-\$53,183.7
Total	\$175,163.2	\$129,710.1	\$244,710.1

Assumptions related to costs above are as follows:

- Life-cycle costs above are estimated over a 5-year duration (FY2002-2007).
- Alternative 1 projected savings stream is estimated at \$120M, with a net savings to FSA of \$60M. It is anticipated the remaining \$60M will be paid to the contractor for reengineering/Modernization services.
- Alternative 2 assumes current operations continue at current spending levels.
- Alternative 3 assumes marginal improvements are made to current operations with cost as indicated in contract services line.
- Funding estimates are based on current dollars and do not take into account any inflation or growth estimates.
- Hardware and software for Alternative 1 are yet to be determined as this project is still in the planning phase. As a result, any maintenance fees are unknown. Hardware and software costs for the other alternatives are already factored into existing legacy operations costs.
- Training costs associated with Alternative 1 are still to be determined, as this project is still in the planning phase.
- FTE costs are assumed to be the same across all alternatives; therefore, FTE costs are not factored into the alternative analysis. Projected resource cost reductions are anticipated to come from existing legacy contractor services.
- Anticipated savings of \$120M are to be generated against the current \$1.1B baseline operations costs of the legacy systems. The baseline operations costs and associated savings include charges that might later be allocated to other Modernization projects under consideration but not yet funded.
- Share-in-Savings Projected % of Share Payments include significant business process reengineering costs, and not just IT costs. The projected payments could be less depending on the actual savings achieved as a result of the effort.
- Costs are relative to the IT portion of the solution, and not the business process reengineering costs.

3. Which alternative was chosen and why? Define the Return on Investment (ROI).
The Modernized Integrated Solution alternative was selected as it meets the Department's goals for unit cost reductions, increased customer satisfaction and increased employee satisfaction.

Business functions and systems for loan servicing, collections and consolidations will be integrated and modernized to provide lower unit costs and better customer service. Duplicate functions currently existing in all three of the current systems (DLSS, DMCS and DLCS) will be removed. Savings will be generated as the operational costs for maintaining the stove-piped systems are eliminated and duplication among the legacy systems is removed.

Alternative 1, the modernized integrated solution, focuses on reengineering all loan servicing functions together-DLSS, DLCS and DMCS. This approach is based on the goal to develop an integrated solution and can only be successfully accomplished by reengineering the components in a coordinated fashion. By taking an integrated approach, the design and development of a Common Services for Borrowers solution will provide the expected benefits. Coordinated development ensures all components and functions of servicing are analyzed and reengineered in tandem. The same benefits would not be achieved if each servicing component were reengineered separately. Analysis and development would be limited to a single component, analyzed in a vacuum, and reengineered out of context with an integrated solution. Additionally, development time would be longer and costs would be greater than FSA's ability to fund. The Modernized integrated solution accelerates the pace of Modernization, allows for greater economies of scale and provides FSA with one integrated solution instead of three stove-piped reengineered solutions.

Anticipated savings (projected to be \$120M from a potential \$60M investment) are to be derived from reduction in existing operational costs associated with the legacy DLSS, DMCS, and DLCS programs. It is expected that the modernized CSB solution will cost significantly less than the existing programs. Additionally, the CRM4FSA initiative is expected to derive significant non-IT related savings from these and other FSA systems. Alternative 2 has no associated investment costs, but does not provide any savings benefits. Alternative 3 requires a \$115M investment and may achieve some level of service improvements, but also does not provide any savings benefits.

Refer to Section I.F, Risk Inventory and Assessment, for risks related to Alternative 1.

The ROI cannot be quantified at this time, as the savings are projections only. Cost and savings information will be solidified during the FY03 Planning effort.

3. A. Are there any quantitative benefits that will be achieved through this investment (e.g., systems savings, cost avoidance, stakeholder benefits, etc)?

Benefits in completing this initiative are:

- Reduction in unit cost at both the FSA and the Federal Government levels, through the more efficient use of timely and accurate information, common functions, shared data and elimination of manually intensive processes. Overall IT costs will be reduced from rationalized applications and right-sized platform. As indicated in response above, anticipated savings are projected to be \$120M.
- An increase in efficiency and customer satisfaction through new services and improved, streamlined processes.
- An increase in employee satisfaction through empowering management with flexible reporting, decision-making and predictive modeling tools, and also by providing user-friendly systems, automated process environments and updated skill sets.
- Generating cost savings through reduced legacy maintenance costs.
- Providing management with decision support tools and capabilities to:
 - Conduct portfolio management.
 - Translate customer information into effective collection strategies.
 - Focus on debt collection outsourcing and collection agency performance management.
- Improving the financial management for both FFEL and Direct Loan programs.
- Potentially to focus on rehabilitation to a group of pre-defined borrowers.
- More frequent targeted transfer of accounts to collection agencies and credit bureaus.
- Increased funds back to the Federal government and eventually benefit the taxpayers and future borrowers.

3. B. FOR ALTERNATIVE SELECTED, PROVIDE FINANCIAL SUMMARY, INCLUDING NET PRESENT VALUE BY YEAR AND PAYBACK PERIOD CALCULATIONS:

The financial summary below indicated the net present value by year and in total for the CSB initiative.

NPV	2002	2003	2004	2005	2006	2007	Total
CSB	-6,435.5	-445.5	11,003.0	12,700.6	12,134.4	18,413.8	47,370.8

The gross savings associated with this initiative are projected to be \$120M, based on the implementation of this initiative. We are undertaking this initiative because it offers savings as well as other benefits, as outlined in 3.A. above. After examining the costs, quantitative benefits, qualitative benefits and risks of this alternative altogether, we believe this alternative as the most desirable to pursue.

4. What is the date of your cost benefit analysis?

05/03/02 – Costs and benefits were documented in the FY03-04 Select Phase Common Services for Borrowers, DLCS Reengineering and DMCS Reengineering Business Cases.

I. F. RISK INVENTORY AND ASSESSMENT (ALL ASSETS)

In this section, describe the results of your risk assessment for this project and discuss your plans to eliminate, mitigate, or manage identified risks. Risk assessments should be performed at the initial concept stage and then monitored and controlled throughout the life-cycle of the project, and should include risk information from all stakeholders. Risk assessments for all projects must include schedule, costs (both initial and life cycle), technical obsolescence, feasibility, reliability of systems, dependencies and interoperability between this project and others, surety (asset protection) considerations, risk of creating a monopoly for future procurements, capability of agency to manage the project, and overall risk of project failure.

In addition, for IT projects risk must be discussed in the following categories 1) Organizational and Change Management, 2) Business, 3) Data/Info, 4) Technology, 5) Strategic, 6) Security, 7) Privacy, and 8) Project Resources. (Agencies may include others for IT, and may define the core set for other assets). For security risks, identify under the description column the level of risk as high, medium, or basic. What aspect of security determines the level of risk, i.e., the need for confidentiality of information, availability of information or the system, reliability of the information or system?

Date Identified	Area of Risk	Description	Probability of Occurrence	Strategy for Mitigation	Current Status as of the date of this exhibit
May 3, 2002	Organizational/ Change Management	Organizational disruption caused by functional mergers	High	Change management activities will be included in the project plans	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.
May 3, 2002	Project Management	1) Appropriate levels of sponsorship from FSA, Modernization Partner and Operational Partners; 2) Resource availability; 3) Key decisions	Low to Medium	1) FSA sponsor(s) and Modernization Partner must require full support and participation from all key stakeholders; 2) Allow time for staffing and	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.

Date Identified	Area of Risk	Description	Probability of Occurrence	Strategy for Mitigation	Current Status as of the date of this exhibit
		cannot be made; 4) Scope creep; 5) Resource shortages; 6) Lack of resources within FSA; 7) Inadequate existing contractor support due to contract demise or realignment; 8) May not capture requirements from the entire user community		communicate need to FSA; 3) Modernization Partner will clearly communicate decisions required as well as timeline for resolution and FSA will identify and engage external stakeholders and adhere to rapid decision making schedule; 4) FSA will focus on scope control; 5) Proactive management will seek to identify possible shortages prior to occurrence; 6) Close interaction with project sponsor and key decision makers; 7) Assistance from FSA contracting officer to ensure contractor fulfills all contractual obligations in any required transition tasks; 8) Integrated team required from FSA and Modernization Partner to communicate the changes to the user community early and throughout the project.	
May 3, 2002	Business	1) Operational disruptions	Medium to High	1) This risk will be mitigated	This risk has not occurred. We

Date Identified	Area of Risk	Description	Probability of Occurrence	Strategy for Mitigation	Current Status as of the date of this exhibit
		caused by functional integration; 2) Inability to change business practices; 3) The implementation effort may exceed the current DMCS contract expiration date of June 2003		through the development and implementation of contingency plans where appropriate; 2) Will work with Financial Partners to develop and communicate a win-win solution for FFEL community and DL borrowers; 3) A variety of options are available from implementation of an industry standard COTS package to re-platform the current DMCS- the decision point in mid-January will determine approach	are in the process of mitigating this risk. This risk is still applicable.
May 3, 2002	Data/ Information	1) Incomplete or inaccurate data; 2) Loss of data or failure to convert data correctly	Medium	1) Data validation and clean-up tasks will be included in project plans; 2) Develop detailed data conversion plan to mitigate risk due to lost or incorrect data	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.
May 3, 2002	Application	COTS solution not viable	Medium	Perform needs analysis and software screening during the Analysis phase	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.
May 3, 2002	Technology/Infrastructure	1) Operational changes resulting from technology and	TBD	1) This risk will continue to be analyzed as initiative	This risk has not occurred. We are in the process of

Date Identified	Area of Risk	Description	Probability of Occurrence	Strategy for Mitigation	Current Status as of the date of this exhibit
		infrastructure changes; 2) Glitches in transitioning the current DMCS system to the new technology		technology and infrastructure are defined; 2) Develop detailed design, testing and implementation procedures	mitigating this risk. This risk is still applicable.
May 3, 2002	Strategic	The DMCS vendor selection process may result in a COTS package only suitable for debt management, and not suitable for both servicing and collections	High	Select the strong debt management COTS package that can be integrated with a strong loan servicing COTS package	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.
May 3, 2002	Security	Unauthorized access	Low	Implement appropriate security levels to allow only authorized individuals access to the systems	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.
May 3, 2002	Privacy	Unauthorized access	Low	Implement appropriate security levels to allow only authorized individuals access to the systems	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.
May 3, 2002	Project Resources	Resource shortages	Low	Proactive project management will seek to identify possible shortages prior to occurrence	This risk has not occurred. We are in the process of mitigating this risk. This risk is still applicable.

1. What is the date of your risk management plan? 05/03/02 - Risks and associated mitigation strategies were documented in the FY03-04 Select Phase Common Services for Borrowers, DLCS Reengineering and DMCS Reengineering Business Cases.

I.G. ACQUISITION STRATEGY

1. Will you use a single contract or several contracts to accomplish this project?
The current approach is to use a single contract to accomplish this project, however, the Department will not restrict itself from using multiple contracts if appropriate in the future.
- 1.A. If multiple contracts are planned, explain how they are related to each other, and how each supports the project performance goals. N/A
2. What type(s) of contract(s) will you use (e.g. cost reimbursement, fixed-price, etc.)?
FSA will seek a shared-in-savings arrangement with the Modernization Partner. In the event that a shared-in-savings arrangement cannot be constructed, a fixed-priced, or shared-in-results arrangement will be sought.
- 2.A. For cost reimbursement contracts, define risk not sufficiently covered by the risk mitigation plan to require this type of contract. N/A
3. Will you use financial incentives to motivate contractor performance (e.g. incentive fee, award fee, etc.)?
A shared-in-savings arrangement will properly motivate the contractor to perform because the contractor's payment is contingent upon savings delivered.
4. Will you use competition to select suppliers?
We expect to utilize the existing Accenture Modernization Partner contract. The Modernization Partner contract was established to merge FSA's Modernization and Transformation programs.

Accenture was competitively awarded a Blanket Purchase Agreement (BPA) with the Department of Education. The evaluation conducted by the Department of Education-Office of Federal Student Aid Acquisition and Contracts narrowed the bidders to three; Accenture was awarded the BPA based on the following key criteria:

- Strong understanding of the business of FSA and commitment to align with FSA goals and objectives
 - Significant experience in developing and implementing major financial production systems in the commercial sector
 - Commitment to make FSA/Modernization Partner project a success, including cost savings incentives such as Share-in-Savings programs
 - Strong commitment to get and keep the people needed to successfully implement the Modernization Blueprint
 - Commitment to partnership with FSA and operating partners for success
 - Brought team with both government and commercial industry experience from a variety of companies
 - Rated best in all five technical evaluation factions
 - Significantly better in the areas of corporate experience, key personnel and corporate point of view
5. Will you use commercially available or COTS products, or custom-designed products?
This initiative is expected to use between 51-75% COTS products.

A COTS package selection will be used to replace the current DMCS; the selected solution will be a robust, modern and flexible technology solution that is in tandem with the retirement of the overall FFEL system. The selected COTS package must meet the majority of Collections requirements, and support the CSB vision.
 6. What is the date of your acquisition plan? 05/03/02 – An acquisition overview was documented in the FY03-04 Select Phase Common Services for Borrowers, DLCS Reengineering and DMCS Reengineering Business Cases.

7. How will you ensure Section 508 compliance?

Hardware and Software will be identified as part of this initiative. Once they are determined, the Assistive Technology team will review both for Section 508 compliance. This effort will support the government's efforts to ensure electronic and information technology is accessible to persons with disabilities.

The Department of Education does follow the following multi-step process to ensure Section 508 compliance for both COTS and customized software development products:

- Include language in the contract that states that all EIT equipment will meet applicable 508 standards.
- Ask respondents to advise the government how they will meet the accessibility requirements.
- Require the contractor deliver all documentation and manuals in an electronic format compatible with the Assistive Technology currently in use at the Department.
- Require design reviews and development testing of the software by the Education Assistive Technology team for accessibility.

I.H. Project and Funding Plan

The information required by this section will be provided by your earned value management system (EVMS) and the EVMS software program you use that meets the ANSI/EIA Standard 748 (see section [300.4](#) (earned value management)). Information on earned value management systems is available at <http://www.acq.osd.mil/pw>.

I.H.1. Description of performance-based management system (PBMS):

Name the software program that meets ANSI/EIA Standard 748 that you will use, or are using, to monitor and manage contract and project performance. If the project is operational (steady state), define the operational analysis system that will be used. If this is a mixed life-cycle project with both operational and development/Modernization/ enhancement (DME) system improvement aspects, EVMS must be used on the system improvement aspects of the contract and operational analysis on the operations aspects. Using information consistent with the work breakdown structure (WBS), provide the information requested in all parts of this section.

The Department uses a work breakdown structure and associated cost estimates to create a cost and schedule of milestones for a project. We measure performance against the planned cost and schedule of milestones. Currently, the Department uses an Excel workbook to collect, maintain, and calculate earned value information. We intend to use the recently revised Earned Value Management System (EVMS) that is integrated with the Information Technology Investment Portfolio System (I-TIPS) as our performance based management system (PBMS). As part of the Select and Control phase of the Department's IT investment management (ITIM) process, project managers provide planned cost and schedule information for their development milestones. This information provides the baseline against which actual cost and schedule performance is collected and measured. With the baseline and actual data provided by the project managers, the Department conducts an earned value analysis of the projects. The result of this analysis feeds directly into the assessment of the project's health, which impacts the overall select and control decisions made about the investment. If an initiative's variance approaches -10%, the Department directs corrective actions that are monitored until the variance is eliminated or there is strong evidence that no further increases in the negative variance will occur.

I.H.2. Original baseline (OMB-approved at project outset):

What are the cost and schedule goals for this phase or segment/module of the project (e.g., what are the major project milestones or events; when will each occur; and what is the estimated cost to accomplish each one)? Also identify the funding agency for each milestone or event if this is a multi-agency project. If this is

a multi-agency project or one of the President's E-Gov initiatives, use the detailed project plan with milestones on the critical path, to identify agency funding for each module or milestone. (This baseline must be included in all subsequent reports, even when there are OMB-approved baseline changes shown in I.H.3).

Cost and Schedule Goals: Original Baseline for a Phase/Segment/Module of Project					
Description of Milestone	Schedule			Planned Cost (in thousands)	Funding Agency
	Start Date	End Date	Duration (in days)		
CSB COTS Package Selection (DMCS)	12/1/01	1/15/02	45	\$636.0	Dept. of Education-Federal Student Aid (FSA)
CSB COTS Package Feasibility Analyses & Options (DMCS)	12/1/01	1/15/02	45	\$206.0	Dept. of Education-Federal Student Aid (FSA)
CSB COTS Package Full Cost/Benefit Analysis (DMCS)	1/15/02	09/06/02	234	\$238.0	Dept. of Education-Federal Student Aid (FSA)
CSB Conference Room Pilot (DMCS Functionality)	1/15/02	7/15/02	181	\$945.0	Dept. of Education-Federal Student Aid (FSA)
CSB Quick Hits Implementation (DMCS)	1/15/02	7/15/02	181	\$238.0	Dept. of Education-Federal Student Aid (FSA)
CSB Planning	9/1/02	11/22/02	82	\$4,002.0	Dept. of Education-Federal Student Aid (FSA)
CSB-DMCS Release 1 Design	12/1/02	02/28/03	89		
CSB-DMCS Release 1 Build	3/1/03	7/31/03	152		
CSB-DMCS Release 1 Evaluate	8/1/03	11/30/03	121		
CSB-DLSS Release 1 Design	10/1/02	12/31/02	91		
CSB-DLSS Release 1 Build	1/1/03	6/30/02	180		
CSB-DLSS Release 1 Evaluate	7/1/03	9/30/03	91		
CSB-DLSS Release 2 Design	10/1/03	12/31/03	91		
CSB-DLSS Release 2 Build	1/1/04	6/30/04	181		
CSB-DLSS Release 2 Evaluate	7/1/04	9/30/04	91		
CSB-DLCS Release 1 Design	10/1/02	12/31/02	91		
CSB-DLCS Release 1 Build	1/1/03	6/30/02	180		
CSB-DLCS Release 1 Evaluate	7/1/03	9/30/03	91		

Cost and Schedule Goals: Original Baseline for a Phase/Segment/Module of Project					
Description of Milestone	Schedule			Planned Cost (in thousands)	Funding Agency
	Start Date	End Date	Duration (in days)		
CSB-DLCS Release 2 Design	10/1/03	12/31/03	91		
CSB-DLCS Release 2 Build	1/1/04	6/30/04	181		
CSB-DLCS Release 2 Evaluate	7/1/04	9/30/04	91		
Share-in-Savings Projected % of Share Payments	10/1/02	9/30/03	365	\$11,000.0	Dept. of Education-Federal Student Aid (FSA)
Share-in-Savings Projected % of Share Payments	10/1/03	9/30/04	N/A	\$8,000.0	Dept. of Education-Federal Student Aid (FSA)
Share-in-Savings Projected % of Share Payments	10/1/04	9/30/05	N/A	\$15,000.0	Dept. of Education-Federal Student Aid (FSA)
Share-in-Savings Projected % of Share Payments	10/1/05	09/30/06	N/A	\$15,000.0	Dept. of Education-Federal Student Aid (FSA)
Share-in-Savings Projected % of Share Payments	10/1/06	09/30/07	N/A	\$4,735.0	Dept. of Education-Federal Student Aid (FSA)
Completion date: 09/30/2007				Total cost estimate at completion: \$60,000.0	

I.H.3. Proposed baseline/current baseline (applicable *only* if OMB-approved the changes):

Identify in this section a proposed change to the original or current baseline or an OMB-approved baseline change. What are the new cost and schedule goals for the project (e.g., what are the major project milestones or events; when will each occur; and what is the estimated cost to accomplish each one)? Also identify the funding agency for each milestone or event if this is a multi-agency project. If this is a new project in the FY 2004 budget year, this section will be blank for your initial submission.

Cost and Schedule Goals: Proposed_____ or Current (OMB-Approved)_____ Baseline for a Phase/Segment/Module of Project					
Description of Milestone	Schedule			Planned Cost	Funding Agency
	Start Date	End Date	Duration (in days)		
1.					

2.					
3.					
Completion date:				Total cost estimate at completion:	

I.H.4 ACTUAL PERFORMANCE AND VARIANCE FROM OMB-APPROVED BASELINE (ORIGINAL OR CURRENT):

- A. Show for each major project the milestones or events you planned (scheduled) to accomplish and the cost and what work was actually done and the cost. If this is a new project in the FY 2004 budget year, this section will be blank for your initial submission. OMB may ask for the latest information during the budget review process.

Comparison of OMB-Approved Baseline and Actual Outcome for Phase/Segment/Module of a Project									
Description of Milestone	OMB-Approved Baseline					Actual Outcome			
	Schedule			Planned Cost	Funding Agency	Schedule		Percent Complete	Actual Cost
	Start Date	End Date	Duration (in days)			Start Date	End Date		
1.									
2.									
3.									
Completion date: OMB-approved baseline:						Estimated completion date:			
Total cost: OMB-approved baseline:						Estimate at completion:			

- B. Provide the following project summary information from your EVMS software: As of : (date)
- B.1. Show the budgeted (planned) cost of work scheduled (BCWS): \$ _____
- B.2. Show budgeted (planned) cost of work performed (BCWP): \$ _____
- B.3. Show the actual cost of work performed (ACWP): \$ _____
- B.4. PROVIDE A COST CURVE GRAPH PLOTTING BCWS, BCWP AND ACWP ON A MONTHLY BASIS FROM INCEPTION OF THIS PHASE OR SEGMENT/MODULE THROUGH THE LATEST REPORT. IN ADDITION, PLOT THE ACWP CURVE TO THE ESTIMATED COST AT COMPLETION (EAC) VALUE, AND PROVIDE THE FOLLOWING EVMS VARIANCE ANALYSIS.

PROJECT SUMMARY (CUMULATIVE)

	Value
Cost Variance = (BCWP-ACWP) =	
Cost Variance % = (CV/BCWP) x 100% =	
Cost Performance Index (CPI) = (BCWP/ACWP) =	
Schedule Variance = (BCWP-BCWS) =	
Schedule Variance % = (SV/BCWS) x 100% =	
Schedule Performance Index (SPI) = (BCWP/BCWS) =	
Two independent Estimates at Completion (EAC) = (ACWPcum + Performance Factor (PF) X(BAC B BCWPcum) where $PF_1 = 1/CPI$, and $PF_2 = 1/CPI \times SPI$ =	
Variance at Completion (VAC) = (BAC B EAC) for both EACs above =	
Variance at Completion % = (VAC/BAC) x 100% for both EACs above =	
Expected Funds to Completion (ETC) =	
Expected Completion Date =	

Definitions for Earned Value Management System:

- ACWP – Actual Cost for Work Performed – What you paid.
 BAC – Budget At Completion – The baseline (planned) budget for the project.
 BCWP – Budgeted Cost for Work Performed – The earned value.
 BCWS – Budgeted Cost for Work Scheduled – The planned costs.
 CPI – Cost Performance Index – The ratio of the budgeted to actual cost of work performed.
 CV – Cost Variance – The difference between planned and actual cost of work performed.
 EAC – Estimate At Completion – The latest estimated cost at completion.
 ETC – Estimate to Completion – Funds needed to complete the project.
 PF – Performance Factor – The cost to earn a dollar of value, or ACWP/BCWP, or 1/CPI.
 SPI – Schedule Performance Index – The percent of the project that has been completed.
 SV – Schedule Variance – The variance between the actual and planned schedules.
 VAC – Variance at Completion – The variance between the baseline and actual budget at completion.

- C. If cost and/or schedule variance are a negative 10 percent or more, explain the reason(s) for the variance(s):
- D. Provide performance variance. Explain whether, based on work accomplished to date, you still expect to achieve your performance goals. If not, explain the reasons for the variance.
- E. Discuss the contractor, government, and at least the two EAC index formulas in I.H.4.B, current estimates at completion. Explain the differences and the IPTs selected EAC for budgeting purposes.
- F. Discuss the corrective actions that will be taken to correct the variances, the risk associated with the actions, and how close the planned actions will bring the project to the original baseline. Define proposed baseline changes, if necessary.
- G. Has the Agency Head concurred in the need to continue the program at the new baseline?
 Yes____ No____

Part II: Additional Business Case Criteria for Information Technology**II. A. Enterprise Architecture****II.A.1 Business**

- A. Is this project identified in your agency's enterprise architecture? If not, why? Yes; it is identified in the FSA Modernization Blueprint, which is part of the agency's enterprise architecture.
- B. Explain how this project conforms to your departmental (entire agency) enterprise architecture. The construction of the target business enterprise architecture is based on three basic functional areas: administrative; K-12; and post-secondary education. In accordance with the One-ED process above, the business processes CSB supports will be included in the business process reviews. The One-ED process will begin with identification of the business functions, then conducting business case analyses, followed by re-engineering or competitive sourcing decisions. Three outcomes are possible: the status quo in which we continue work as is; competition with best value alternatives decisions; or business process re-engineering. Under the competition alternative, two options are possible: employee best value wherein the business process will be re-engineered in-house; or the industry best value wherein the business process will be transitioned and re-engineered outside the agency. The agency One-ED initiative lists and defines all agency activities and groups them by One-ED phase. The One-ED is scheduled by phases. All business process re-engineering, or competitive sourcing decisions will be made subsequent to the phased One-ED business case analyses. The agency baseline enterprise architecture will be a basic part of the analytical process.
- C. Identify the Lines of Business and Sub-Functions within the Federal Enterprise Architecture Business Reference Model that will be supported by this initiative.
Federal Financial Assistance-Loans Assistance
- D. Briefly describe how this initiative supports the identified Lines of Business and Sub-Functions of the Federal Business Architecture.
The solution will support a large number of business processes within the Loan Servicing, Collections, and Consolidations areas. Each of these business areas impact a large number of customers and support very important parts of FSA's business. The Common Services for Borrowers system will enable FSA customers to have a seamless business experience when servicing their student loans.
- E. Was this project approved through the EA Review committee at your agency?
No projects have gone through the EA Review committee process to date. The Deputy Chief Information Officer for Information Management chartered the recently established Enterprise Architecture Working Group (EAWG), a sub-group of the Information Management Working Group. Its membership represents major business units in the agency. In cooperation with the agency's procurement executive, the EAWG will review projects before they are entered into the acquisition process. The EAWG's role is specified in the Enterprise Architecture Configuration Management process, as are related reviews by the Technology Review Board and the Configuration Control Review Board. The former reviews projects in development and the latter reviews them after implementation. The EAWG reviews projects before acquisition and monitors reviews by the other two review bodies. Until the target enterprise architecture is complete, with its transition plan, the EAWG will be limited to reviewing projects in terms of their capabilities and services. The EAWG is developing and will keep current advanced capabilities that have been identified as part of the target technical operating environment that will be used for project reviews. This year, as in years past, each business case was reviewed for consistency in the Product Support Plan, which is based on our architectural standards. Each Principal Office is encouraged to have internal review processes in place for the Capital Planning and Investment Management process, and those processes may include formal architectural reviews.

Within FSA, projects have gone through an FSA Architecture Review Committee process. The FSA Deputy Chief Information Officer for Enterprise IT Management signs off on the business case that the enterprise architecture review has been completed. The review is completed in terms of business alignment as well as compliance with established standards and policies.

Additionally, this project was reviewed by the FSA Investment Review Board to ensure business and technical architecture aligns with the agency's architecture.

F. What are the major process simplification/reengineering/design projects that are required as part of this initiative?

The vision for the Common Services for Borrowers will improve the management of student aid obligations through efficient use of timely and accurate information, common functions, and shared data. In order to achieve this vision, the project will streamline, consolidate, and modernize a number of common functions within the Collections, Loan Servicing, and Consolidations areas. Reengineering opportunities will be driven by their ability to improve customer satisfaction and reduce operational costs. This project will review existing servicing processes, applications, and operations to assess the feasibility of providing an integrated services environment for Credit Management and the Students Channel that will deliver measurable improvements. Analyses will be conducted to identify where operations can be improved to better utilize industry best practices including analysis of a Common Services model. Common Services for Borrowers will include:

- Integration of business functions across the student lifecycle
- Utilization of industry standard practices and COTS solutions
- Integrated financial controls

The major reengineering around the Direct Loan Consolidation effort is focused around how to improve efficiency of certifying outstanding loan balances and payoffs. The initiative will initially focus on baselining the As-Is process flows. Then, identifying opportunities for improving efficiency, defining the To-Be process flows, and finally, the actions required achieving the To-Be state.

Reengineering will impact virtually every business process that Collections engages in to support their business functions. As a result, business processes and workflows will be required for Collections and private collection agencies.

G. What are the major organization restructuring, training, and change management projects that are required? The planning work that has been done to date on this initiative has involved the senior management team of Credit Management within the Student's Channel. During the follow-on phases of the project, stakeholders from each of the three Credit Management divisions, Loan Servicing, Loan Consolidation, and Collections will be integral parts of the planning, development, and operating phases of the project. In order to accomplish this, integrated product teams will be formed for each phase of the initiative to ensure coordination across the Credit Management area as well as coordination between the projects and FSA operations.

Changes to the requirements for outstanding loan balances will require extensive work with the loan community in the planning, development and operations of this initiative. Reengineering the current business process will impact the Operating Partner that is currently performing the Loan Consolidation function and may require changes to their organization structure.

Change management activities will be included in the project plans. Users of the reengineered DLCS, DLSS and DMCS, as well as users of interfacing systems, will need to be trained.

Training and skills update of the Collections and Private Collection Agency staff will be critical to enable effective use of the new system.

- H. What are the Agency lines of business involved in this project?
Loans
- I. What are the implications for the agency business architecture?
FSA projects are compliant with the Modernization Blueprint, which is the essence of the target architecture for post-secondary education.

II.A.2 Data

- A. What types of data will be used in this project?
In the consolidations and collections area, information will be gathered from external respondents such as guarantee agencies, collection agencies, and loan consolidation applicants and lenders. These are all the same external respondents that FSA systems in the consolidations and collections area interface with today. It is the goal of the project to make this implementation seamless to external respondents. As such, the interfaces to those systems will remain as static as possible. Across Consolidations, Servicing, and Collections, borrower and loan data elements will be essential in the review of these systems and their similar functions and interfaces. All of these data elements have been/are being incorporated into the Consistent Data Dictionary.
- B. Does the data needed for this project already exist at the Federal, State, or Local level? If so, what are your plans to gain access to that data?
All data that would be utilized for Common Services already exists in the FSA systems for Consolidation, Servicing, and Collections. Data required for this project that does already exist at the Federal level is gained through interagency agreements.
- C. Are there legal reasons why this data cannot be transferred? If so, what are they and did you address them in the barriers and risk sections above?
There are no known legal reasons as to why the data cannot be transferred. Interfaces existing between the systems today involve the transfer of key data. This potential issue will be further examined during the requirements and design efforts.
- D. If this initiative processes spatial data, identify planned investments for spatial data and demonstrate how the agency ensures compliance with the Federal Geographic Data Committee standards required by OMB Circular A-16. N/A

II.A.3 Application and Technology

- A. Discuss this initiative/project in relationship to the application and technology layers of the EA. Include a discussion of hardware, applications, infrastructure, etc.
The initiative is still in the planning phase; hardware and software will be determined at a later date.
- B. Are all of the hardware, applications, and infrastructure requirements for this project included in the EA Technical Reference Model? If not, please explain.
The initiative is still in the planning phase; hardware and software will be determined at a later date.

II. B. SECURITY AND PRIVACY

NOTE: Each category below must be addressed at the project (system/application) level, not at a program or agency level. Referring to security plans or other documents is not an acceptable response.

- II.B.1. How is security provided and funded for this project (e.g., by program office or by the CIO through the general support system/network)?

Security is provided and funded for each of the Department's IT initiatives through the responsible program office. In this case, security is provided and funded for through FSA.

- A. What is the total dollar amount allocated to security for this project in FY 2004? TBD
- II.B.2 Does the project (system/application) meet the following security requirements of the Government Information Security Reform Act, OMB policy, and NIST guidance?
- A. Does the project (system/application) have an up-to-date security plan that meets the requirements of OMB policy and NIST guidance? What is the date of the plan?
The initiative is still in the planning phase; security plans will be developed at a later date.
- B. Has the project undergone an approved certification and accreditation process? Specify the C&A methodology used (e.g., NIST guidance) and the date of the last review.
No, this project is still in the planning phases; the certification and accreditation process will be completed prior to system implementation.
- C. Have the management, operational, and technical security controls been tested for effectiveness? When were most recent tests performed?
No, this project is still in the planning phases.
- D. Have all system users been appropriately trained in the past year, including rules of behavior and consequences for violating the rules?
No, this project is still in the planning phases.
- E. How has incident handling capability been incorporated into the system, including intrusion detection monitoring and audit log reviews? Are incidents reported to GSA's FedCIRC?
An incident handling capability has not yet been incorporated into this system. However, the Department of Education is currently in the process of establishing a Department-wide intrusion detection program, which will address intrusion detection monitoring, audit log reviews, and incident reporting to GSA as dictated by OMB Circular A-130. The Department-wide program will not meet this requirement, but will serve as a basis for individual systems to implement incident handling capabilities.
- F. Is the system operated by contractors either on-site or at a contractor facility? If yes, does any such contract include specific security requirements required by law and policy? How are contractor security procedures monitored, verified, and validated by the agency?
No, this project is still in the planning phases.
- II.B.3 How does the agency ensure the effective use of security controls and authentication tools to protect privacy for those systems that promote or permit public access?
As soon as an initiative is undertaken, a General Support System and Major Application Inventory Submission Form is completed to register the system. In doing so, the system is evaluated for maintenance of personal information. If it is determined that the system will store or process personal information, a notice of a Privacy Act System of Records is published in the Federal Register for public comment. The system notice describes the measures that will be taken to prevent unauthorized disclosure of records at a level of security that indicates the sufficiency of the safeguards without providing such detail that it increases the risk of unauthorized access to the records. As a part of the Department's certification and accreditation (C&A) process, a system risk assessment is performed which further evaluates the type of data that will be stored/processed by the system and the security controls that will be applied. Development of measures and controls, or remediation of deficiencies, to protect privacy information is established in the system security plan in accordance with the Department's policy and guidance. Through the Department's C&A process and associated documents, we ensure effective use of security controls and authentication tools to protect privacy information.

- II.B.4 How does the agency ensure that the handling of personal information is consistent with relevant government-wide and agency policies.
- As soon as an initiative is undertaken, a General Support System and Major Application Inventory Submission Form is completed to register the system. In doing so, the system is evaluated for maintenance of personal information. If it is determined that the system will store or process personal information, a notice of a Privacy Act System of Records is published in the Federal Register for public comment. The system notice describes the measures that will be taken to prevent unauthorized disclosure of records at a level of security that indicates the sufficiency of the safeguards without providing such detail that it increases the risk of unauthorized access to the records. As a part of the Department's certification and accreditation (C&A) process, a system risk assessment is performed which further evaluates the type of data that will be stored/processed by the system and the security controls that will be applied. Development of measures and controls, or remediation of deficiencies, to protect privacy information is established in the system security plan in accordance with the Department's policy and guidance. Through the Department's C&A process and associated documents, we ensure effective use of security controls and authentication tools to protect privacy information.

- II.B.5 If a Privacy Impact Assessment was conducted, please provide a copy to OMB. N/A

II. C. GOVERNMENT PAPERWORK ELIMINATION ACT (GPEA)

- II.C.1 If this project supports electronic transactions or record-keeping that is covered by GPEA, briefly describe the transaction or record-keeping functions and how this investment relates to your agency's GPEA plan.

Electronic transaction and record-keeping functions include loan deferment application process, issuance of loan promissory notes, debt collection, system balancing, reconciliation and billing and payment transactions. CSB will allow sharing of data between systems as well as among lenders, schools and Guaranty Agencies, eliminating the transfer of paper-based borrower data. The reengineered systems will also consolidate current correspondence with borrowers, as well as allow these correspondences to be sent electronically instead of manually.

- II.C.2 What is the date of your GPEA plan?
09/23/2002

- II.C.3 Identify any OMB Paperwork Reduction Act (PRA) control numbers from information collections that are tied to this investment.
- 1845-0005
1845-0006
1845-0007
1845-0009
1845-0011
1845-0016
1845-0017
1845-0021
1845-0031